CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 3, 2005

H.R. 420
Lawsuit Abuse Reduction Act of 2005

As ordered reported by the House Committee on the Judiciary on May 25, 2005

H.R. 420 would amend Rule 11 of the Federal Rules of Civil Procedure to require courts to impose appropriate sanctions on attorneys, law firms, or parties who file frivolous lawsuits and to require them to compensate parties injured by such conduct. (Courts currently may, but are not required to, impose such sanctions.) In addition, the bill would require certain personal injury claims to be filed in a court where the person bringing the claim lives, where the alleged injury occurred, or where the defendant's business is located.

Under the legislation, any monetary sanction imposed under Rule 11 would be between the parties to the suit. Thus, CBO estimates that enacting the legislation would result in no cost or savings to the federal government. H.R. 420 would not affect direct spending or revenues.

H.R. 420 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would preempt certain state laws governing court procedures. Specifically, it would require state judges to determine whether certain liability lawsuits affect interstate commerce and apply federal civil procedures for frivolous lawsuits to those cases. CBO estimates that the cost of complying with that mandate would be minimal and well below the threshold established in that act ($62 million in 2005, adjusted annually for inflation). The bill contains no new private-sector mandates as defined in UMRA.

The CBO staff contacts for this estimate are Gregory Waring (for federal costs) and Melissa Merrell (for the state and local impact). This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.